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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Final evaluation report on the implementation and the results of the MEDIA Plus and MEDIA Training (2001-2006) programmes

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1. INTRODUCTION

The MEDIA Plus and MEDIA Training programmes were established under two Decisions:

- Council Decision No 2000/821/EC of 20 December 2000 on the implementation of a programme to encourage the development, distribution and promotion of European audiovisual works (MEDIA Plus - Development, Distribution and Promotion);
- Decision No 163/2001/EC of the European Parliament and of the Council of 19 January 2001 on the implementation of a training programme for professionals in the European audiovisual programme industry (MEDIA-Training).

The period covered by MEDIA Plus and MEDIA Training was initially set as 2001-2005. However, in order to align the period of the MEDIA programmes with that of the Financial Perspective, the period was extended until 31 December 2006¹.

MEDIA Plus and MEDIA Training followed on from MEDIA II (1996-2000) and MEDIA I (1991-1995). Their common objective was to structurally improve the competitiveness of the European audiovisual industry. The objectives of MEDIA Plus and MEDIA Training were to boost the competitiveness of the European audiovisual industry, to bring balance back to the markets, and to encourage the distribution of works outside their country of origin.

During the reference period ten new Member States joined the European Union on 1 May 2004, and other acceding States were integrated. MEDIA 2007² followed on from MEDIA Plus and MEDIA Training on 1 January 2007.

MEDIA Plus and MEDIA Training were the subject of an interim evaluation in 2003, the results of which were communicated by the Commission in its report of 24 November 2003³. In accordance with the recommendations made in this evaluation, and taking into account changes in the needs of professionals and changes in the market, certain adjustments which did not require a change in the legal basis had been implemented.

The aim of this report is to evaluate the results of the MEDIA Plus and MEDIA Training programmes in accordance with Article 12(3) of Decision No 2000/821/EC and Article 9(4)

¹ Decisions Nos 845/2004/EC and 846/2004/EC of the European Parliament and of the Council of 29 April 2004, OJ L 195, 2.6.2004.

² Decision No 1718/2006/EC of the European Parliament and of the Council of 15 November 2006 concerning the implementation of a programme of support for the European audiovisual sector (MEDIA 2007) - (OJ L 327, 24.11.2006, p. 12).

³ COM(2003) 725 final.

of Decision No 163/2001/EC. It covers the period from 1 January 2001 to 31 December 2006 and is based on the findings of the interim⁴ and final evaluations of the MEDIA Plus and MEDIA Training programmes⁵.

2. ECONOMIC AND STRUCTURAL DIFFICULTIES

2.1. Economic challenges

It should be recalled that MEDIA Plus and MEDIA Training were implemented against a worrying economic background. Throughout the period evaluated, the most significant challenge faced by the programme was the entry of ten new Member States. This enlargement has accentuated the heterogeneity of the European market. Investment capacity and state aid are at a much lower level in these countries than in the rest of Europe.

Another major challenge is the rapid development of new technologies, in particular digital technologies. In this field, the situation regarding European film distribution is becoming worrying. Digital copies of films exist, but European films are not well represented on digital broadcasting platforms.

2.2. Structural problems

2.2.1. An enlarged internal market still not operating perfectly

The European audiovisual market is characterised by its large degree of fragmentation. This fragmentation is linked in particular to the linguistic and cultural diversity of the different States. This diversity is certainly a source of cultural independence and richness, but it blocks the distribution of non-national works and prevents the European industry from winning market shares. Fragmentation leads in particular to:

- structural difficulties in the trans-border distribution of works. Insufficient distribution of non-national European works is the main symptom of the structural difficulties encountered by the European audiovisual sector;
- a division between countries with low production capacity and/or with a restricted linguistic and geographical area⁶ and countries with a greater production capacity⁷;
- a less competitive distribution sector.

The production sector also remains very fragmented. It comprises many poorly integrated, small structures whose survival still hangs in the balance.

⁴ Second interim evaluation of the MEDIA Plus and MEDIA Training Programme (2003-2005) – Contract No 30-EC-0041001/00-07.

⁵ Final evaluation of the MEDIA Plus and MEDIA Training Programmes (2001-2006) – Contract No 30-EC-0096653/00.

⁶ Austria, Belgium, Denmark, Finland, Greece, Ireland, Iceland, Liechtenstein, Luxembourg, Norway, the Netherlands, Portugal and Sweden. To which are added: Bulgaria, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

⁷ Germany, France, Italy, Spain and the United Kingdom.

2.2.2. An industry struggling to deal with its handicaps

The lack of training for European audiovisual professionals leads to a lack of enterprise strategy on a European level, which is, nevertheless, essential for the introduction of new technologies.

In the preliminary stages, the European audiovisual industry does not dedicate enough resources to project development (writing, financing arrangements and drawing up marketing plans). This stage is nevertheless of vital importance for the quality and export potential of works.

At the consumer stage, the distribution sector remains fragmented along national lines. Its competitiveness in both the world and European markets is thereby weakened.

3. RESULTS OF THE EVALUATION OF MEDIA PLUS AND MEDIA TRAINING FOR THE PERIOD 2001-2006

3.1. General conclusions for the period 2001-2006

- (1) The programme has generally remained relevant for the period due to a good initial inventory and renewed methods. The fields in which professionals' satisfaction is not as good as it could be represent a very small part of the budget and needs which were still being defined.
- (2) The incompatibilities observed between administrative (selection, contracts, payment) and economic rhythms in the audiovisual sector reintroduce risk and potential tensions for companies⁸. The cost of access, which is often considerable for SMEs, nevertheless remains bearable for beneficiaries.
- (3) The principle MEDIA measures contribute effectively to increasing competencies (Training), developing the European dimension of works from the pre-production phase (Development), the improved competitiveness of the sector (mainly Distribution, through risk reduction and strengthening the financial capacities of the beneficiaries), and the transnational distribution of works (Distribution and Promotion).
- (4) The non-financial effects of MEDIA (increasing competencies, learning about the market, setting up networks) have a lasting, structured impact on the whole sector.
- (5) The effects of the programme on the financing of works and transnational distribution depend directly on continued European financing.

⁸ It should be noted that the creation of the Executive Agency on January 1 2006 has since led to more efficient project management and, in particular, reduced payment times.

3.2. Lines of action which effectively increase the competitiveness of the European audiovisual sector

- (1) MEDIA Training makes a real contribution to increasing competencies in the European audiovisual sector. It also contributes to setting up networks likely to boost the long-term competitiveness of the sector.
- (2) MEDIA Development allows independent producers to increase their competitiveness on the European market and to encourage the transnational distribution of their works. MEDIA's contributions are numerous: better drafting of projects, improved financing plans, limited financial risks, increased investment in the development of works, lending a European dimension to the works supported and to the whole sector.
- (3) MEDIA Distribution strengthens the financial capacities of the distributors and limits investment-linked risks. This encompasses a large and growing proportion of non-national European films and contributes to their distribution.
- (4) MEDIA Promotion successfully supports commercial demonstrations and festivals. This helps to increase contacts and build up networks between European audiovisual professionals.
- (5) MEDIA improves the promotion and screening of European films to professionals and the general public, and ensures that they are a major presence at festivals.

3.3. Market re-balancing measures contributing to the integration of the new Member States

In order to implement its integration plan for the new Member States, the MEDIA programme relied on the existing concept of 'countries with a low production capacity or with a restricted geographical and/or linguistic area'. The market re-balancing measures are specific to the MEDIA programme.

- (1) The selection criteria have facilitated access to the programme for projects from 'countries with a low production capacity' and, in particular, from the new Member States; MEDIA therefore rapidly increased the participation of professionals from these States.
- (2) The MEDIA programme allows countries 'with a low production capacity' to access a share in the financing which is greater than their relative market share.
- (3) MEDIA very probably contributed to the constant increase in the supply of non-national films observed in the new Member States since their entry into the programme. This is to the detriment of the market share of American films (by far the majority), and not local films.
- (4) The positive discrimination measures to encourage professionals from the largest producing countries to associate with partners from the new Member States have genuinely improved the integration of these stakeholders and their works into European distribution networks and circuits.

3.4. An efficient Media Desks network, whose potential can still be developed further

The decentralised MEDIA setup appears to be an efficient way of developing knowledge about the programme and assisting professionals; their actual efficiency appears to depend very much on the persons in charge.

- (1) The Media desks have a dual role, acting as information centres for professionals and providing assistance to beneficiaries. The predominant position varies from one desk to another, with the oldest desks generally favouring the provision of assistance.
- (2) The Desks can have an important effect on the proper use of MEDIA in countries 'with reduced production capacity' and, in particular, in the new Member States, due to the pedagogical work carried out.
- (3) The size of the MEDIA Desks network harbours a certain potential, in particular in terms of sharing information and good practices and contributing to cross-border exchanges. In the absence of better structuring of the network and its tools, the exchanges remain essentially bilateral.
- (4) The absence of a unified system for measuring the performances of the Desks and Antennae makes it difficult to assess their respective effectiveness.

3.5. Lasting qualitative effects, other effects remain dependent on MEDIA

The most striking lasting effects of the programme are those of a qualitative nature: increasing competencies, networks, collaborations, market knowledge, presence on international markets.

Other important effects such as the increase in the transnational distribution of works are, however, still largely dependent on European intervention. Withdrawing support could lead to the disappearance of certain types of training, a reduced transnational distribution of works and less investment in works from countries with a low production capacity where MEDIA is a vital element in the financing of works.

4. RECOMMENDATIONS AND FOLLOW-UP MEASURES

4.1. Main recommendations

4.1.1. *Maintain efforts to adapt to the market*

Steps should be taken to:

- (1) preserve the programme's capacity to adapt and its means of meeting the requirements of the sector
- (2) find ways of anticipating changes in the sector (sectoral studies, regular direct contact with professionals, expert consultations)
- (3) introduce a system of indicators for following up the programme's performance and monitoring the market

4.1.2. *Adapt the action plan to the limitations faced by its users*

- (1) rethink and simplify the means of accessing the programme
- (2) adapt the intervention measures to the temporary nature of the sector
- (3) focus MEDIA's human and organisational resources on assisting beneficiaries and monitoring projects

4.1.3. *Better exploit the potential of the network of the MEDIA desks and Antennae*

Steps should be taken to:

- (1) develop a tool for measuring performance
- (2) provide MEDIA desks and Antennae with effective tools and resources

4.1.4. *Re-consider the aims and methods of the market re-balancing measures in order to increase their relevance and effectiveness*

Steps should be taken to:

- (1) keep up the effort made to date in terms of re-balancing the markets
- (2) deepen the strategic reflection on the objectives of the market re-balancing policy and the results to be obtained at the end of the MEDIA 2007 programme
- (3) revisit the relevant geographical level (eliminate regional level, new categories for countries) for certain lines of action (in particular selective distribution, automatic distribution, sales agent)

4.2. **Main measures**

4.2.1. *Measures already implemented*

Responses to the operational recommendations have already been implemented following on from the second interim evaluation, in particular in terms of simplifying certain procedures and integrating the technological aspect into the overall programme. Therefore, the new MEDIA 2007 programme takes fully into account the integration of new technologies and allows specific actions to be taken to support the on-line distribution of European audiovisual works and digital projection. Similarly, market re-balancing measures are integrated into all lines of action.

With the intention of adapting the action plan to the limitations faced by its users and focusing resources on assisting beneficiaries and monitoring projects, the creation of the Executive Agency has led to concrete improvements, due, in particular, to greater administrative efficiency. In particular progress has been noted in the project selection process, contract management, payment deadlines and contact with beneficiaries.

Furthermore, the new guidelines published in 2007 for certain lines of the programme already simplify certain methods of accessing the programme following the example of the new guidelines for the 'development' action. These changes simplify the project selection criteria and make documents more readable (guidelines and form), thereby facilitating access for professionals to development support.

With regard to the capacity for anticipating changes in the sector, a working group has been set up within the MEDIA committee to work on finalising a system of indicators.

In order to further improve the programme's adaptation to market requirements, new actions have been implemented within the framework of MEDIA 2007:

- With a view to bringing initial forms of training more closely into line with one another, a new call for proposals for 'initial training' has been published which aims to encourage co-operation between cinema schools and other higher education training institutions to introduce training for young European students.
- Digital technologies have rendered European audiovisual works more easily accessible outside their country of origin thanks to new means of broadcasting audiovisual content. Considering that the competitiveness of the European audiovisual industry will strongly depend on its ability to adapt to new technologies, in particular during the distribution stage, a new line of action has been created to support on-line distribution of European audiovisual works. The aim of the 'Video on Demand and Digital Film Distribution' line is to preserve and increase European cultural and linguistic diversity and its audiovisual and film heritage, to guarantee its accessibility to the public and to promote intercultural dialogue, to increase distribution and the visibility of works, and to increase the competitiveness of the audiovisual sector within the framework of an open and competitive European market which is favourable for employment.
- A specific call for proposals for the development of interactive works on on-line and off-line media has been launched which is adapted to the specific requirements of this new form of creation.
- Distribution aids have been adapted to better target medium-budget works with a high commercial potential, which are more dependent on MEDIA assistance for their transnational broadcasting than high-budget films. Similarly, the proportion of automatic distribution aid based on ticket sales has been increased for the first tickets sold, as they represent a more significant cost for the distributor at the time a film is launched on its national market. The aim of this reform is to stimulate the market and encourage commercial risk-taking.

4.2.2. Measures being developed

The Commission is considering whether to better exploit the potential of the network of MEDIA Desks and Antennae by implementing more effective tools and resources together with a single Internet access point per country.

In terms of access to financing and in order to complete the i2i action to meet the wider needs of the industry, a plan of action is currently being drawn up which is likely to have a lever effect on access to financing for producers. This plan of action will give producers and distributors better access to private capital.

5. CONCLUSION

The interim and final evaluations of the MEDIA Plus and MEDIA Training programmes confirm the positive results of their actions on the European audiovisual sector. They reaffirm

the relevance of the programme's objectives and the effectiveness of its actions in terms of increasing competitiveness in the sector and promoting cultural diversity. Furthermore, the evaluations confirm that Community action brings real added value as compared with national intervention. MEDIA's effects are real; they are also lasting in some cases, in particular in terms of increasing competitiveness.

Nevertheless, some of the most remarkable effects of MEDIA (increasing competencies and transnational distribution of works, for example) are still largely dependent on European intervention. Moreover, market data indicates that the European audiovisual sector continues to suffer from its traditional weaknesses, which are market fragmentation and poor distribution of European works outside their country of origin.

The action should therefore be maintained, whilst adapting to changes in market requirements. This is what the new MEDIA 2007 programme, which was launched on 1 January 2007, sets out to do.